Qwest Investment Management

Henry Hub Spot NG: **US$2.83/mmBtu** **AECO Gas:** **C$2.97/mcf** **Western Canada Select:** **C$87.27/bbl** **WTI Cushing Spot Crude:** **US$95.87/bbl**

Sources: www.firstenergy.com (as at close November 16, 2011)

Key Oil & Natural Gas Headlines at a Glance

November 24, 2011

U.S. NATURAL GAS *(for the week ending Friday, November 18, as reported by the U.S.* ***Energy Information Administration*** *November 24, 2011)*

NOTE:

Due to the American Thanksgiving holiday, the EIA's "Natural Gas Update" is not available until Thursday, December 1st.

U.S. CRUDE OIL *(for the week ending Friday, November 18, as reported by the U.S.* ***Energy Information Administration*** *November 23, 2011)*

Crude Oil Inventories: Inventories decreased by 6.2 million from the previous week. At 330.8 million barrels, U.S. crude oil inventories are closer to the upper limit of the average range for this time of year.

Crude Oil Imports: Averaged 8.3 million bbls per day last week, down by 246 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 8.6 million bbls per day, 225 thousand bbls per day above the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 4.5 million from last week and are in the upper limit of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged 8.6 million bbls per day, down by 4.0% from the same period last year.

Distillate Fuel Inventories: Inventories decreased by 0.8 million bbls last week and are in the lower limit of the average range for this time of year.

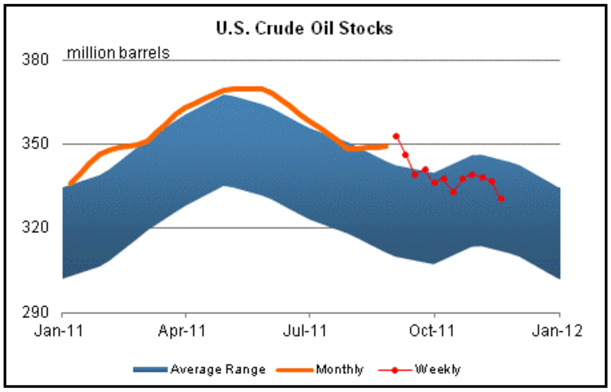
Distillate Fuel Product Supplied: Product supplied has averaged 4.2 million bbls per day over the last four weeks, up by 5.7% from the same period last year.

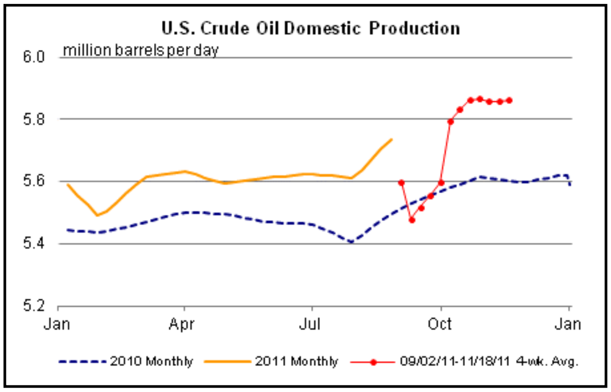
Total Products Supplied: Over the last four weeks have averaged 19.1 million bbls per day, down by 0.3% compared to a similar period last year.

Refineries: Operated at 85.5% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on Friday, November 18th was not available.

WTI Crude Oil Price: WTI was $97.67 per barrel on Friday, November 18th, $1.32 less than last week's price but $16.02 above a year ago.





Oil & Natural Gas Headlines (November 18 - November 24)

- **Brazil Suspends Chevron's Drilling Rights** - *Reuters (November 24)* - Brazil's government suspended **Chevron Corp**.'s drilling rights until Chevron clarifies the causes of an offshore oil spill, the latest twist in a political firestorm threatening the U.S. company's role in Brazil's oil bonanza. The decision on Wednesday came as the head of Chevron's Brazilian unit testified before Brazil's Congress, where he apologized for the Nov. 8 spill that leaked about 2,400 bbls of oil into the ocean off the coast of Rio de Janeiro. Brazil's **National Petroleum Agency** said it decided to halt Chevron's drilling rights after determining there was evidence that the company had been "negligent" in its study of data needed to drill and in contingency planning for abandoning the well in the event of accident. The field is located in the oil-rich Campos Basin and is the only block in Brazil where Chevron produces oil as the operator. The Campos Basin is currently the source of more than 80 per cent of Brazil's oil output.

- **China's Oil Demand to Surpass IEA Forecasts, Barclays Says** - *Bloomberg (November 23)* - China's oil consumption by 2015 will be "significantly" higher than **International Energy Agency** forecasts, surging 35 percent from this year, as economic expansion spurs fuel demand, **Barclays Capital** said. The world's biggest energy user may need 13.6 million barrels a day of fuel, versus an **IEA** estimate of 10.5 million, based on growth in China's energy demand versus income levels in the past decade, **Miswin Mahesh**, London-based analyst at the bank, said today. "We believe key agency forecasts, such as those of the IEA, are too conservative. To get down to consensus forecasts would require radically higher price elasticities, higher prices and lower income elasticities than we observe for the country," Mahesh said. China's per capita energy demand rose 50 percent in the past decade as income climbed 86 percent, and a "simple extrapolation" to the next five years would show a 4.2 million barrel-a-day increase in oil consumption compared with 2010, Barclays said. "We expect vehicle and oil demand growth to be more sensitive to income growth than changes in oil prices," he said.

- **Don't Bet on Big Fall in Oil - Even with Slowdown** - *The Globe and Mail (November 22)* - With debt crises either side of the Atlantic, Europe flirting with recession and Libyan oil fields returning to production, it is tempting to be bearish on oil. Tempting but risky. Despite all the financial and economic gloom, 2011 has been a record year for oil with Brent crude at its highest-ever average above $110 (U.S.) per barrel, and few analysts forecast a big drop in price, even those who expect an economic slowdown. Rising demand for fuel from China and other emerging economies, declining output from traditional suppliers including the North Sea and interruptions to production in key exporters such as Libya have kept the oil market tight. And unless the United States, the world's biggest oil consumer, slips into a double-dip recession, oil prices are likely to stay strong, at least until the end of the northern-hemisphere winter.

- **Saudi Sees Threat of Shale Oil Revolution** - *Reuters (November 21)* - Saudi Arabia's state energy company said on Monday that its dominant role in world oil supply had been altered by large new reserves in North America, sapping the urgency to develop the kingdom's own reserves. The speech by **Saudi Aramco**'s chief executive was the first from the globe's top oil exporter to acknowledge that unconventional oil was set to shift the energy balance of power and cut U.S. dependence on Middle East crude. "The abundance of resources and the more 'balanced' geographical distribution of unconventionals have reduced the much-hyped concerns over 'energy security' which once served as the undercurrent driving energy policies and dominated the global energy debate," **Khalid al-Falih** said.

- **Saudi Aramco Head Outlines Bright Future for Oil Indusry** - *International Oil Daily (November 21)* - The future is bright for the oil and gas industry, with demand set to keep increasing as the world's population expands and Asian economies go on growing, which will support healthy prices in the long-term, according to the head of **Saudi Aramco**, **Khalid al-Falih**.

- **Shell Plans to Hit Ground Running in Iraq** - *International Oil Daily (November 21)* - After spending the past three years in tough negotiations, **Royal Dutch Shell** intends to waste no time getting down to work at its $17 billion gas megaventure in Iraq.

- **Price Gap Between WTI and Brent Crude Shrinks** - *Globe and Mail (November 18)* - The discount on North American crude, which has cost Canadian oil producers billions in revenue in the past year, is shrinking rapidly as futures traders see new prospects for shipping oil to the Gulf Coast. **Enbridge Inc**.'s announcement of a proposed new pipeline from Cushing, Okla., to Texas, is changing the dynamics of the oil market. Prices for **West Texas intermediate** (**WTI**), the benchmark price for North American oil, rallied sharply Wednesday on the news. For the past 10 months, Canadian producers – whose prices are tied to WTI – have been taking steep discounts for their oil compared with international crude prices that are benchmarked against **North Sea Brent**, which can be shipped more readily. In the past, WTI tended to trade at a small premium to Brent, because it is easier to refine. That spread hit a peak of $28.08 (U.S.) on Oct. 14, but has fallen dramatically since then. After Enbridge's announcement Wednesday, the differential narrowed by nearly $4; it widened slightly Thursday to $8.27 (U.S.), as both WTI and Brent lost ground.

- **U.S. Shale Boom Reduces Russian Influence Over European Gas Market** - *Rigzone (November 24)* - The U.S. shale gas boom has not only virtually eliminated the need for U.S. liquefied natural gas (LNG) imports for at least two decades, but significantly reduced Russia's influence over the European natural gas market and "diminished the petro-power" of major gas producers in the Middle East and Venezuela. According to a study by **Rice University**'s **Baker Institute**, "Shale Gas and U.S. National Security", U.S. shale gas has substantially reduced Russia's market share in Europe from 27 percent in 2009 to 13 percent by 2040, reducing the chances that Moscow can use energy as a tool for political gain.

- **U.S. Oil Rig Count Just Under 24-Year High** - *Reuters (November 24)* - The U.S. oil-drilling rig count rose by five this week to just under a 24-year high at 1,130, data from oil services firm **Baker Hughes** showed on Wednesday. The oil rig count had climbed to 1,333 in the week to Nov. 11. This week's count is 56 per cent higher than a year ago, when 724 rigs were operating. Drilling in unconventional U.S. oil prospects is behind the recent surge in the oil-focused rig count. The number of oil rigs in the country has risen 258 per cent since the start of 2008, when drilling in shale prospects ramped up.

- **Seaway Oil Deal To Put WTI Back Into Focus** - *Reuters (November 23)* - **Goldman Sachs** said the Seaway oil reversal will put **WTI** back into focus as crude oil flows from Cushing on its way to the U.S. Gulf Coast, adding near-term **WTI-Brent** spreads looked too narrow to be sustained. On Nov. 16, **Enbridge Inc**. announced it has entered into an agreement to acquire **ConocoPhillips**' 50 per cent interest in the **Seaway Crude Pipeline System** for US$1.15 billion. On closing, Enbridge will become joint owner of the pipeline with **Enterprise Products Partners L.P.**, which will continue to operate the pipeline system and storage facilities. The companies also announced they plan to reverse the flow the line, which currently runs from Freeport, Texas, to Cushing, Oklahoma. Goldman narrowed its 12-month target for the WTI-Brent spread target to minus $5 a bbl and its three-month target to minus $13 a bbl. "To profit from the anticipated rotation in the WTI-Brent spread curve, we are recommending a short position in the March 2012 WTI-Brent spread and a long position in the December 2012 WTI-Brent spread," Goldman said in a note to clients.

- **Seaway Eases Pressure on US Oil Infrastructure** - *Petroleum Intelligence Weekly (November 18)* - Prospects for easing the US Midcontinent bottleneck in North American oil supply infrastructure have pitched and tossed over the past fortnight, the upshot now being that another 150,000 b/d day of pipeline capacity for shipping crude from the overworked Cushing, Oklahoma, trading and storage hub to refineries on the US Gulf Coast should be in place by the second quarter of 2012.

- **Nexen Pushed Out of Yemen Oil Project** - *Globe and Mail (November 23)* - **Nexen Inc.** has been pushed out of one of its largest oil projects after Yemen rejected its application to continue operating in the volatile country. The Calgary-based company has a partnership deal with the Yemen government tied to the Masila oil field. The production sharing agreement expires Dec. 17, and Yemen did not renew it, Nexen said in a statement released early Wednesday morning. A new state-controlled operating company will take over the project, Nexen said.

- **Alberta Looks to Record Year for Gas, Oil Leases** - *Globe and Mail (November 21)* - Alberta expects another record year for oil and gas land sales, as companies deploying new extraction technologies flock to previously overlooked energy plays. The provincial government is on track to rake in over $3-billion from land leases in fiscal 2012, beating its previous high of $2.56-billion last year. The windfall, which excludes oil sands, allowed the government to increase its revenue prediction by $1-billion, the government said as it released its second-quarter update Monday. Oil and gas companies are rushing to secure land in newly prospective areas of the Duvernay and Pembina Cardium formations, **Alberta Energy** said. These two plays, hosting tight oil and gas, have only recently attracted energy companies because without a newly developed drilling method – multistage hydraulic fracturing – the industry was unable to reach and pump out the natural resources deep below the surface. Record-setting land sales in Alberta show energy companies of all sizes are eager to quickly reinvest healthy cash flows while oil prices remain strong, particularly since new technologies can be expensive.

- **Lucrative Asian Markets Beckon for B.C.'s Natural Gas, Conference Told** - *Calgary Herald (November 21)* - A growing Asian thirst for natural gas means British Columbia must move quickly to secure a share of those markets. That was one of the main themes during a panel discussion entitled The Role of Natural Gas in B.C.'s Energy Future at Friday's **BC Chamber Energy Summit** in downtown Vancouver. The panel - which included representatives of **Spectra Energy**, **Encana Corporation**, **Penn West Exploration** and the **Canadian Association of Petroleum Producers** - addressed several aspects related to natural gas, including B.C.'s export market potential. "It's clear Asian markets are looking to [liquefied natural gas or LNG]," said **Brian Tanaka**, director of business development and special projects for **Spectra Energy**'s pipeline operations in Western Canada. "Finding new markets is critical and that's why LNG exports [to Asia] make sense. And timing is critical, because there's a tremendous amount of competition." In an interview, **Richard Dunn**, vice-president of regulatory and government relations for the Canadian division of Encana Corporation added: "It's not inconceivable that over 50 per cent of B.C.'s deliveries could go to Asian markets by 2020." He said Asian demand for natural gas could double by 2020. "But it's not a given that Canada will get these markets. There's significant competition to access, particularly [from] Australia. "We have to move expeditiously and the government recognizes that."

- **Ten-Month Rig Releases Up 12 Per Cent Over 2010** - *Nickle's Daily Oil Bulletin (November 18)* - Operators rig released 10,570 wells across Canada in the first 10 months of 2011, up about 12 per cent from the 9,465 wells drilled in last year's January-to-October period. In Alberta, there were 6,724 wells rig released to the end of October versus 6,258 in the comparable period last year (up 7.45 per cent). Saskatchewan's rig release count is up about 32 per cent this year to 2,876 wells compared to 2,180 in the January-to-October timeframe in 2010. Many of the wells drilled this year are still under confidential status, but of those with a reporting status, almost 72 per cent are listed as oil or bitumen wells. That compares to 56 per cent of the wells with a status listed as oil wells in last year's first 10 months.

- **Canadian Drilling Sector Rated Higher Than U.S.** - *The Calgary Herald (November 18)* - The United States oil and gas drilling industry is firing on all cylinders but Canada's service sector is running even hotter as it enters the traditionally busier winter exploration season. In a third quarter services recap published Wednesday, **Canaccord Genuity** analyst **John Tasdemir** says from his Houston office: "Canadian results were the shining star with rig utilization near peak levels and pricing on a strong footing, allowing most service lines to post solid growth above most expectations. "Canada stands out because it has the highest mix of oil drilling, it's emerging plays are in early innings and service market supply/demand balances are more transparent and less fragmented with only 500 currently active drilling rigs.